

**TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE**  
**March 16, 2009**

*Commissioner Howard F. Pitkin*  
*Department of Banking*

**SENATE BILL 22, AN ACT CONCERNING SMALL BUSINESS ASSISTANCE**

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Good morning Chairman LeBeau, Chairman Berger and members of the committee. My name is Howard F. Pitkin and I am the Commissioner of the Connecticut Department of Banking. I am here to testify in favor of **SENATE BILL 22, AN ACT CONCERNING SMALL BUSINESS ASSISTANCE**.

Senate Bill 22 implements the Governor's budget provisions concerning jobs. The aftermath of the financial crisis has made credit access difficult for the small and medium size businesses that drive our economy. The bill authorizes \$100 million of general obligation bonds in FY 2010-2011 for the Department of Economic and Community Development (DECD) to provide loans and loan guarantees to small and medium size businesses.

First, \$75 million will be used for a loan guarantee/lending program in coordination with Connecticut banking institutions extending a guarantee for loans of \$500,000 to \$3,000,000 made to businesses with 250 employees or less. The loss protection extended to participating banks is an enhancement to increase the creditworthiness of potential borrowers that are having difficulty getting loans. The \$75 million loss protection fund will support a loan portfolio in excess of \$400 million (and may potentially be more depending on the amount of guarantee and default rate) when fully leveraged by participating banks. There will be fair access to all banks, regardless of size, on a first come first served basis. The objective is to have the banks disburse the loans as prudently as possible, both creating and preserving jobs. If the Connecticut banking industry is not supporting the program, DECD will issue direct loans. The Commissioners of DECD and Banking will oversee the program and provide monthly updates to the Governor. Appropriate steps will be taken to ensure diversification of the loan portfolio, selection of credit risks and maximum growth of the loan portfolio in relation to the loss protection fund of \$75 million.

Also, the remaining \$25 million will be used for a micro-lending program targeted to businesses whose credit needs are less than \$500,000 and will have no lending floor. Micro-lending is a type of lending banking institutions are not typically interested in. Hopefully this program will help businesses of 100 employees or less, and may include very modest credit requests for sole proprietorships, small partnerships and corporations. The Commissioner of DECD will oversee this program.

Thank you for allowing me to speak before you today. I am happy to answer any questions you may have on these bills.